

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7364**

**BILL NUMBER:** HB 1994

**DATE PREPARED:** Jan 25, 1999

**BILL AMENDED:**

**SUBJECT:** Education Finance.

**FISCAL ANALYST:** David Hoppmann

**PHONE NUMBER:** 232-9559

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

| <b>STATE IMPACT</b>            | <b>FY 1999</b> | <b>FY 2000</b>       | <b>FY 2001</b> |
|--------------------------------|----------------|----------------------|----------------|
| <b>State Revenues</b>          |                |                      |                |
| <b>State Expenditures</b>      |                | <b>150,000,000</b>   |                |
| <b>Net Increase (Decrease)</b> |                | <b>(150,000,000)</b> |                |

**Summary of Legislation:** This bill would eliminate the authority of a school corporation to impose a General Fund property tax levy for the general operation and maintenance of the school corporation. It would eliminate the authority of a school corporation to impose a Transportation Fund property tax levy. It would require a school corporation to impose a local income tax for education of not more than 1.6%.

It would also limit increases in state expenditures to the lesser of: 1) the increase in inflation and population; or 2) 4%. It would limit annual increases in appropriations of political subdivisions, including school corporations, to the lesser of 4% or the percentage changes in population and inflation. It would provide a state tuition support formula equal to the difference between: (1) the school corporation's ADM multiplied by \$5,000; and (2) the amount that the school corporation can raise from a local income tax on education of 1.6% and from certain other revenue sources.

It would establish the State School Reserve Fund and would appropriate \$150,000,000 to the State School Reserve Fund from the State General Fund.

It would terminate the authority of: 1) Lake County to impose a property tax for a county supplemental school distribution fund; 2) Dearborn County to impose a property tax for a county school distribution fund;

and 3) a school corporation in Lake County to impose a property tax for a supplemental school operating reserve fund.

It would continue the authority of a school corporation to impose a property tax levy for certain public libraries, nursery schools, historical societies, art associations, cultural institutions, public playgrounds, and the Children's Museum in Marion County. It would provide a method for calculating the amount of financial institution taxes and excise taxes to be distributed to school corporations after the elimination of the school General Fund property tax. It would recodify provisions of current law concerning emergency loans to school corporations and the duty of a school corporation to raise sufficient property tax revenues to repay outstanding bonds and other debt payable from the Transportation Fund, Capital Projects Fund, or Debt Service Fund.

**Effective Date:** Upon passage; July 1, 1998 (retroactive); May 1, 1999; July 1, 1999; January 1, 2000; July 1, 2000; March 1, 2001.

**Explanation of State Expenditures:** This bill would appropriate \$150,000,000 beginning July 1, 1999 to June 30, 2001 to carry out the purposes of the State School Reserve Fund established in accordance with this bill.

**THE REMAINING COMPONENTS OF THIS FISCAL NOTE WILL BE UPDATED AS INFORMATION BECOMES AVAILABLE.**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** State Tax Board.

**Local Agencies Affected:** School Corporations.

**Information Sources:**